

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 2108 - HB 2264

February 19, 2022

SUMMARY OF BILL: Authorizes development districts (DDs) created under the *Development District Act of 1965* and the Greater Nashville Regional Council (GNRC) to obtain insurance in lieu of surety bonds to ensure the lawful performance by agency officials and employees of their fiduciary duties and responsibilities.

FISCAL IMPACT:

Decrease Local Expenditures – \$58,800/FY22-23 and Subsequent Years/Permissive

Assumptions:

- Pursuant to Tenn. Code Ann. § 13-14-111, there are nine DDs in the state, including the GNRC.
- Tennessee Code Annotated § 13-14-114 requires DDs to provide a surety bond to the state that covers any board member, executive committee member, employee officer, or any other authorized person of a DD, who receives public funds, has authority to make expenditures from public funds, or has access to any public funds.
- The minimum amount of bond is based on the cumulative amount of:
 - Four percent of the revenues up to \$3,000,000; and
 - Two percent of the excess over \$3,000,000.
- The proposed legislation would authorize DDs and the GNRC to satisfy the bond requirement through a policy of insurance or an agreement with a pool established by certain governmental entities. Such a policy or agreement:
 - Must have limits of not less than \$400,000 per occurrence;
 - Is deemed to be a blanket official bond for each official or office identified in the policy;
 - May cover board members, policy council members, employees, officers, and other authorized persons of the DD who handle public funds;
 - Must be filed in the office of the register of deeds where the office of the DD is located; and
 - Satisfies the requirement for the filing of official bonds.
- Based on information provided by six of the nine DDs, the following amount would be saved each year in duplicative coverage:
 - Greater Nashville Regional Council - \$13,000
 - Upper Cumberland DD - \$3,600
 - Southwest Tennessee DD - \$5,400

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- East Tennessee DD - \$2,500
 - Southeast Tennessee Development - \$7,500
 - Northwest Tennessee DD - \$7,200
- It is estimated that DDs will save an average of \$6,533 [$(\$13,000 + \$3,600 + \$5,400 + \$2,500 + \$7,500 + \$7,200) / 6$] per year in added operational costs from being authorized to satisfy bond requirements through a policy of insurance, resulting in an estimated total savings of \$58,797 ($\$6,533 \times 9$ DDs).
- There will be a recurring permissive decrease in local expenditures of \$58,797, beginning in FY22-23.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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